

**THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF TUCSON, ARIZONA**  
**Minutes of the Regular Meeting**  
**of the Board of Directors**

**September 13, 2007**

At the  
Ward VI Council Office Meeting Room  
3202 East Fifth Street  
Tucson, Arizona 85716

**Present:**        **Board Members**        Jaime P. Gutierrez  
Mike Hammond  
Ben Buehler-Garcia  
Christopher Carroll

**Staff**                                Gary Molenda, Business Development Finance Corporation  
Karen J. Valdez, Business Development Finance Corporation  
Charles W. Lotzar, Lotzar Law Firm, P.C.

**Guests**

**Absent:**                                Sonia Trejo  
Marilyn Robinson

The Regular Meeting of the Board of Directors of The Industrial Development Authority of the City of Tucson, Arizona (the “**Authority**”) was held on **September 13, 2007** at 3202 East Fifth Street, Tucson, Arizona. All Board Members and the general public were duly notified of the meeting. C. Lotzar explained that Arizona’s Open Meeting Laws allow for members of the Authority’s Board of Directors and legal counsel to appear and participate in the meeting telephonically so long as all participants in the meeting can hear and be heard. No one appeared via conference telephone call.

ITEM	ACTION TAKEN/TO BE TAKEN
<b>I. Call to Order.</b>	The meeting was called to order at <b>4:11 p.m.</b> with a quorum present.
<b>II. Request for resolution to approve the minutes of the Board of Director’s Regular Meeting of August 9, 2007.</b>	A <b>MOTION</b> was made and seconded (M. Hammond / B. Buehler-Garcia) to approve the Regular Meeting minutes of <b>August 9, 2007</b> as presented. <b>Approved 4-0.</b>
<b>III. \$7,320,000 The Industrial Development Authority of the City of Tucson, Arizona Multifamily Housing Revenue Bonds (Rillito Village Apartments Project) Series, a 1999 A and 1999 B – Request for Resolution authorizing the assumption of the terms of the Regulatory Agreement by Residential Equity Partners, LLC, an Oregon limited liability company or its affiliated nominee.</b> The Rillito Village project was financed in <b>1999</b> by the Piedmont Foundation, a Georgia nonprofit corporation which had received a <b>Section 501(c)(3)</b> determination letter (the	A <b>MOTION</b> was made and seconded (M. Hammond / C. Carroll) to approve resolution authorizing the assumption of the terms of the Regulatory Agreement by Residential Equity Partners, LLC, an Oregon limited liability

<p><b>“Applicant”</b>). Applicant is now desirous of selling that property and in order to do so, the purchasers will need to assume the terms of the regulatory agreement. This is unusual in 2 regards, 1) property is subject to a Deed of Trust that is also cross collateralized with another property outside the State of Arizona that is also owned by the same Applicant and the bond holder has sent a pay-off letter stating that both transactions will need to be paid-off; 2) there are non-profit requirements that are higher than what would be imposed if one were a for profit entity. As the buyer is a for profit concern, they only want to assume the requirements set forth in the regulatory agreement pertaining to for profit concerns. The parties will need to agree to pay all expenses associated with the transaction. The documentation is in keeping with what will protect the interest of the Authority and Mr. Lotzar stated that he sees no credit or reputation risk.</p>	<p>company or its affiliated nominee. <b>Approved 4-0.</b></p>
<p><b>IV. \$7,015,000 The Industrial Development Authority of the City of Tucson, Arizona Multifamily Housing Revenue bonds (Lincoln Gardens Apartments Project) Series, a 1999 A and 1999 B – Status Report by DT Gardens, LLC, a Delaware limited liability company Request for Resolution authorizing the Authority’s execution and delivery of a document designed to give notice of termination of the Deed Restrictions.</b></p> <p>Mr. Lotzar reported that this property that was financed in 1989 and restructured in 2000. Squire Sanders will be the Bond Counsel on the transaction as they have been on all previous transactions. An opinion will be given by Squire Sanders regarding the qualified project period in order to pay-off the existing bonds.</p>	<p>A <b>MOTION</b> was made and seconded (B. Buehler-Garcia / C. Carroll) to approve resolution authorizing the execution and delivery of a document designed to give notice of termination of the Deed Restrictions relating to the Lincoln Gardens Apartments Project <b>Series 1999A and 1999B. Approved 4-0.</b></p>
<p><b>V. Request for resolution authorizing the issuance of a draw in the amount of \$6,409,000 in accordance with The Industrial Development Authority of the City of Tucson, Arizona and The Industrial Development Authority of the County of Pima Joint Single Family Mortgage Revenue Bonds Draw Down Series 2006.</b></p> <p>C. Lotzar reported that the Authority recently approved the issuance of 2007C Single Family Mortgage Revenue Bond program. At that time, there was a lot of activity with the Sub-Prime market and the Authority was hopeful of having a rate at 6.25% to be well beneath the prevailing rates. Since approval, there has been no bond issuance. As a result of timing, the \$6,409,000 of private activity bonding cap that this represents will need to be placed in a draw down facility to be preserved. The Pima County Authority will be contributing the exact same amount. Cost to do this is nominal to the Authority.</p>	<p>A <b>MOTION</b> was made and seconded (M. Hammond / B. Buehler-Garcia) to approve the issuance of a draw in the amount of <b>\$6,409,000</b> in accordance with the Joint (Tucson/Pima) Single Family Mortgage Revenue Bonds Draw Down <b>Series 2006. Approved 4-0.</b></p>
<p><b>VI. \$30,475,000 The Industrial Development Authority of the City of Tucson, Arizona and The Industrial Development Authority of the County of Pima Joint Single Family Mortgage Revenue Bonds, Series 2006 – Request for Resolution authorizing the extension of the Origination Term from August 3, 2007 to a period of not later than September 1, 2008.</b></p> <p>C. Lotzar presented a resolution for approval authorizing extension of the origination term from <b>August 3, 2007</b> to no later than <b>September 1, 2008</b> as there have been a very limited amount of loans totaling approximately <b>\$400,000</b> that have not yet converted and packaged. There has been a loss of a few lenders in town whose loans will be picked up by others. No significant amount of fall out.</p>	<p>A <b>MOTION</b> was made and seconded (B. Buehler-Garcia / M. Hammond) approving resolution authorizing extension of origination term from <b>August 3, 2007 to September 1, 2008</b> with relation to the Joint Single Family Mortgage Revenue Bonds <b>Series 2006. Approved 4-0.</b></p>
<p><b>VII. Disclosure and relationship by Mr. Carroll and request for resolution authorizing the Authority to take action in connection with its investment as a limited partner in the Block 175 Limited Partnership (the “Partnership”) including but not limited to actions designed (a) to cause the sale, transfer or disposition of the Partnership’s property, (b) to cause the redemption of the Authority’s interest in the Partnership, or (c) to cause the wind-up of the Partnership’s affairs in the Partnership as evidenced by that certain Agreement of Limited Partnership dated November 12, 1985 between the Downtown Development Corporation of Tucson, Arizona, an Arizona nonprofit corporation as general partner and the Authority as limited partner, as amended.</b></p> <p>C. Lotzar reported that based on the investigational work done in preparing the application for the Authority’s insurance coverage, it appears that the General Partner in</p>	<p>A <b>MOTION</b> was made and seconded (M. Hammond / B. Buehler-Garcia) authorizing the Lotzar Law Firm to investigate further the <b>Block 175</b> Limited Partnership Agreement to reach a resolution at an amount of not to exceed <b>\$10,000.00. Approved 3-0 with 1 abstention (C. Carroll).</b></p>

<p>the Block 175 Limited Partnership may not be paying correctly. Absence other documents, the Partnership would need to pay out <b>100%</b> of the cash flow to the Authority. There was a second loan issued for improvements to the property that has been paid in-full. Discussion ensued and M. Hammond requested that prior to any action being taken, discussions with the City of Tucson be initiated regarding their view on the issue. Mr. Lotzar posed the question whether public interest was the intended goal or an investment the Authority made.</p> <p>Mr. Lotzar presented the following: under the conflict of interest statute in Arizona, you have a conflict if you have a direct or indirect pecuniary interest. As Mr. Carroll has a remote interest in the Downtown Development Corporation, which is a non profit agency, is a volunteer of that agency and has always been a volunteer, Technically, under the States Statute it is not clear that a legal conflict exists. However, Mr. Carroll has the right to exercise his own business judgment and declare a conflict to avoid the appearance of impropriety. Mr. Carroll declared a conflict of interest and will abstain from voting.</p> <p>It was the consensus of the Board that Mr. Lotzar proceed with a resolution of this issue and authorized an expenditure in legal fees of an amount of not to exceed <b>\$10,000</b> to get a better sense of the situation.</p>	
<p><b>VIII. Disclosure of relationship by Mr. Carroll and request for resolution authorizing the Authority to take action in connection with its investment as a limited partner in the Torreon Properties Limited Partnership (the “Partnership”) including but not limited to actions designed (a) to cause the sale, transfer or disposition of the Partnership’s property, (b) to cause the redemption of the Authority’s interest in the Partnership, or (c) to cause the wind-up of the Partnership’s affairs as evidenced by that certain Agreement of Limited Partnership dated December 24, 2986 between the Downtown Development Corporation of Tucson, Arizona, an Arizona nonprofit corporation as general partner and the Authority as limited partner, as amended.</b></p> <p>C. Lotzar stated that the Torreon Property partnership agreement states that the Partnership is for a specific purpose of owning a specific parcel of land because of its unique archeological remnants. That property was later swapped out so the purpose of that Partnership no longer exists.</p> <p>Mr. Carroll declared a conflict of interest and will abstain from voting.</p> <p>It was the consensus of the Board that Mr. Lotzar proceed with a resolution of this issue and authorized an expenditure in legal fees of an amount of not to exceed <b>\$10,000</b> to get a better sense of the situation.</p>	<p>A <b>MOTION</b> was made and seconded (M. Hammond / B. Buehler-Garcia) authorizing the Lotzar Law Firm to investigate further the Torreon Properties Limited Partnership Agreement to reach a resolution at an amount of not to exceed <b>\$10,000.00</b>.  <b>Approved 3-0 with 1 abstention (C. Carroll)</b></p>
<p><b>IX. Request for resolution authorizing either renewal of the Authority’s public officials’ and employees’ liability insurance policy or acquisition of similar coverage from another carrier.</b></p> <p>C. Lotzar reported that the insurance policy with regard to coverage has been reviewed per request of the Authority. It has been determined that the current coverage provided in the policy is the wrong type of coverage and provides insufficient coverage for the Authority’s activities. A conference call between staff and the insurance brokers was held with discussion to ensure clarity of the Authority’s business activities and the risk associated with those activities. The application for insurance coverage has been drafted with a lot more detail including an executive summary. It is anticipated that the Authority will receive a quote for coverage more tailored to the Authority’s activities and to include vehicle coverage for the members of the Authority’s Board of Directors in conducting the Authority business. This is an information item only and does not require a resolution. The Authority directed that staff proceed in obtaining the proper insurance coverage.</p>	
<p><b>X. Request for resolution to approve the payment of invoices and the notification of</b></p>	<p>A <b>MOTION</b> was made and</p>

<p><b>items to be paid on the Authority's behalf by third parties.</b> K. Valdez presented check detail for items to be paid on the Authority's behalf through the month of <b>August 31, 2007</b>.</p>	<p>seconded (M. Hammond / C. Carroll) approving items to be paid through <b>August 31, 2007</b>. <b>Approved 4-0.</b></p>												
<p><b>XI. Request for resolution to accept Ms. Mobray's letter of resignation as a member of the Authority's Board of Directors and discussion of recommended successors to be forwarded to the City Manager's office.</b> J. Gutierrez reported that Mary Lou Mobray has a new business venture requiring her attention and has submitted her resignation as a member of the Authority's Board of Director's effective immediately. Staff was directed to prepare a letter of acceptance and thanks for her services as a member of the Board. It was reported that in addition to Mary Lou's position, Sonia Trejo's position is open as well. Ms. Trejo's term expired in <b>March</b> of this year but will continue to serve until a replacement can be found. Discussion ensued regarding potential replacements. It is desirous that the potential Board members should have experience in banking, finance, mortgage financing, and also have good ties to the community. It was the consensus of the Authority's Board of Directors to discuss this further at the next Board meeting.</p>													
<p><b>XII. Request for resolution authorizing amendments to the Authority's published Document Standards.</b> C. Lotzar presented amended Document Standards with changes made to conform to changes in the Law.</p>	<p>A <b>MOTION</b> was made and seconded (C. Carroll / B. Buehler-Garcia) to approve amendments to the Authority's published Document Standards. <b>Approved 4-0.</b></p>												
<p><b>XIII. Status report by the Authority's Advisor regarding the Authority's financial performance through its fiscal year-end, June 30, 2007, including a comparison of budgeted to actual results, and request for resolution establishing the Authority's budget for fiscal year-end June 30, 2008.</b> G. Molenda reported that the Authority achieved revenues in excess of <b>\$61,000.00</b> for <b>FY 06-07</b>. Discussion ensued on the variances on projected and actual line items. Footnotes were reviewed that describe applicable line items. On the revenue side, there is a decline in of private activity bond fees due to default (Catalina Village), refunding (Christian Care). Due to Mr. Lotzar's creativity in his ability to secure additional funds for the Mortgage Credit Certificate Program, the Authority should have adequate capacity for <b>2008</b> therefore no anticipated costs have been allocated for an additional program. No significant changes on the cost side. Discussion ensued and it was the consensus of the Board to approve the <b>FY07-08</b> budget.</p>	<p>A <b>MOTION</b> was made and seconded (M. Hammond / B. Buehler-Garcia) to approve the budget for <b>FY07-08</b>. <b>Approved 4-0.</b></p>												
<p><b>XIV. Discussion and request for resolution regarding the election of the Authority's executive officers for the fiscal year running from July 1, 2007 until June 30, 2008 to re-elect or replace the following slate of current officers:</b></p> <table border="0"> <tr> <td><u>Office</u></td><td><u>Name</u></td></tr> <tr> <td>President</td><td>Jaime P. Gutierrez</td></tr> <tr> <td>Vice President</td><td>Michael Hammond</td></tr> <tr> <td>Secretary</td><td>Marilyn Robinson</td></tr> <tr> <td>Assistant Secretary</td><td>Christopher Carroll</td></tr> <tr> <td>Treasurer</td><td>Ben Buehler-Garcia</td></tr> </table>	<u>Office</u>	<u>Name</u>	President	Jaime P. Gutierrez	Vice President	Michael Hammond	Secretary	Marilyn Robinson	Assistant Secretary	Christopher Carroll	Treasurer	Ben Buehler-Garcia	<p>A <b>MOTION</b> was made and seconded (M. Hammond / C. Carroll) to approve the slate of officers from <b>July 1, 2007</b> until <b>June 30, 2008</b>. <b>Approved 4-0.</b></p>
<u>Office</u>	<u>Name</u>												
President	Jaime P. Gutierrez												
Vice President	Michael Hammond												
Secretary	Marilyn Robinson												
Assistant Secretary	Christopher Carroll												
Treasurer	Ben Buehler-Garcia												
<p><b>XV. Staff Reports:</b></p> <ul style="list-style-type: none"> <li>• <b>Outstanding Single Family Programs</b> – Discussion ensued regarding note from Scott Riffle regarding current activity in the single family market: <b>2007C</b> Single Family Bond Program: It is recommended that the Authority delay the issuance due to: <b>1)</b> high risk of non-origination, and <b>2)</b> small spread between Program and Market Rates on Mortgage Loans. <b>2007B</b> Single Family Bond Program is currently over reserved on the <b>30 year</b> loans and <b>40 year</b> loans are nearly fully reserved with <b>10 months</b> remaining in the origination period.</li> </ul>													

<p>J. Gutierrez noted that M. Robinson is requesting foreclosure rates for mortgages issued in the Authority's Single Family programs. Mr. Lotzar stated that the Authority's first time homebuyer programs have historically experienced success in the lack of foreclosures and a report will be presented at the next Authority meeting.</p> <p>C. Lotzar reported that he and G. Molenda attended a dinner last week where all four IDA's were represented. The topic centered on efforts regarding effecting changes in the State Statute in order to allow requests for allocation for housing purposes after <b>August 1<sup>st</sup></b>. There was a consensus amongst all present. There was also discussion regarding the tax credit legislation that failed last year. The consensus was that it failed due to poor presentation at the committee level. There is intention on brining it back at some point.</p> <ul style="list-style-type: none"> <li>• <b>Dark Mountain Development Corporation</b> – No Report</li> <li>• <b>Federal Legislation</b> – A. Morales has drafted legislation that will be circulated for consideration at next month's meeting.</li> <li>• <b>Rio Nuevo District</b> – G. Molenda reported that there is a new Finance Director at the City of Tucson who is now working with the National Development Council (NDC) as there is remains interest in moving forward. Bill Hicks of Ballard Spahr is the Counsel for Rio Nuevo. M. Hammond reported that he has been put on the finance committee of Rio Nuevo.</li> <li>• <b>Warehouse District</b> – G. Molenda reported that there is effort on behalf of the City of Tucson to relocate artists, fix up space and bring them back. C. Carroll noted that relocation has taken place. G. Molenda stated that there is potential for New Market Tax Credits and Historic Tax Credits to be structured into Rio Nuevo Financing for the Warehouse District.</li> <li>• <b>CREBS</b> – A new finance team at the City of Tucson contacted G. Molenda regarding the CREBS award. The two original participants are no longer involved. The City felt it best to go out to bid. The CREBS allocation was awarded to the Authority however the City is questioning whether they can do the project themselves. This will require further investigation.</li> </ul>	
<p><b>XVI. President's Report</b></p> <ul style="list-style-type: none"> <li>• <b>Brief summary of current events, including items brought to the President's attention or matters that required handling by the President since the last meeting.</b></li> </ul> <p>No report.</p>	
<p><b>XVII. Call to the Audience</b></p> <p>There was no one in the audience who wished to address the Authority.</p>	
<p><b>XVIII. Adjourn</b></p>	<p>There being no further business, the meeting was adjourned at <b>5:54 p.m.</b></p>

Submitted by:

Approved by:

Karen J. Valdez  
Business Development Finance Corp.

Jaime P. Gutierrez, President  
The Industrial Development Authority of the  
City of Tucson, Arizona